MUNICIPAL EMPLOYEES' PENSION PLAN

Annual Report 2011

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This annual report is available in electronic format at **www.peba.gov.sk.ca**

Letters of Transmittal

Ken Krawetz
Minister of Finance

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Municipal Employees' Pension Plan for the year ending December 31, 2011.

Ken Krawetz
Minister of Finance

The Honourable Ken Krawetz
Minister of Finance

Sir:

On behalf of the Municipal Employees' Pension Commission, I have the honour of submitting the Annual Report of the Municipal Employees' Pension Plan for the year ending December 31, 2011.

Earl Braun
Chair

Chair's Comments

Earl Braun
Chair

It is a privilege to chair the Municipal Employees' Pension Commission. I would like to express appreciation on behalf of the Commission to Bonnie Ozirny, for her dedication in serving as the previous Chair.

While the impact of global economic turbulence is still being felt, the Commission is optimistic and remains dedicated to manage the Plan's assets in the best interests of its members.

In Fall 2011, we announced that the Municipal Employees' Pension Plan (MEPP) had a solvency shortfall. In 2012, we will be examining alternatives to address the shortfall and promote the long-term financial health of the Plan.

MEPP has strong and effective governance processes in place. Part of strong governance is overseeing the Plan's investments and making adjustments when necessary. In response to the investment market environment, MEPP's funding and investment policies were linked last year. These policies increase the likelihood that the Plan's objectives will be achieved and that risk is appropriately managed.

Last year the Commission received the results of a survey conducted in late 2010 of MEPP members and employers. Survey results showed that MEPP is highly valued by members. It also indicated that some members lack an understanding of how their defined benefit plan works. In response, we are working to enhance communication to our members. We are personalizing aspects of the annual Member Statement. We also created an online video to help explain elements of the personalized member statements.

As we begin 2012, the Commission will continue to strive to be responsive to our members, to keep them informed, and to offer them valuable services to help them better understand their pension plan and the options available to them.

I am pleased to present the 2011 Annual Report of the Municipal Employees' Pension Plan.

Earl Braun
Chair

Highlights of 2011

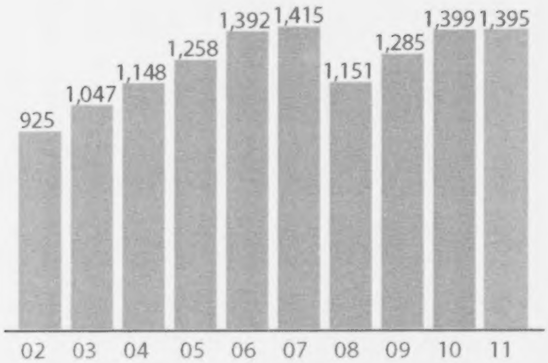
(as at December 31, 2011)

22.4 thousand
Plan members

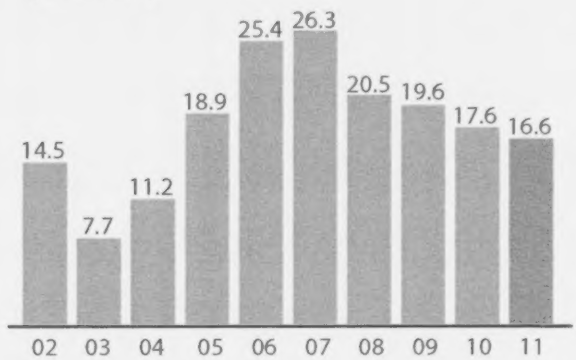
46.5 average age
Active members

4.4 thousand
Pensioners

Total Assets ($ millions)



Transfers, Refunds & Termination Payments ($ millions)



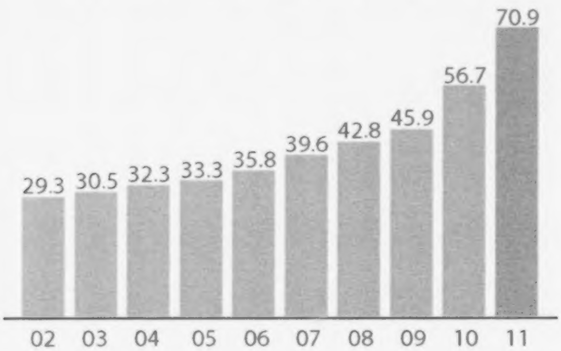
Total MEPP Fund Investment Performance (%)										
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Total Fund Real Return	0.6	10.0	14.5	(16.2)	4.2	13.6	12.1	11.4	14.9	(2.1)
Benchmark	0.4	10.1	15.5	(17.7)	3.3	12.9	10.6	9.8	14.5	(6.1)
Rolling 4-year Average Returns (%)										
Total Fund Real Return	1.5	2.4	3.2	2.7	10.3	13.0	8.9	6.5	6.2	5.7
Benchmark	0.1	1.9	2.7	1.7	9.3	12.0	6.9	3.4	2.5	2.3

$1.4 billion
Total approx. assets.

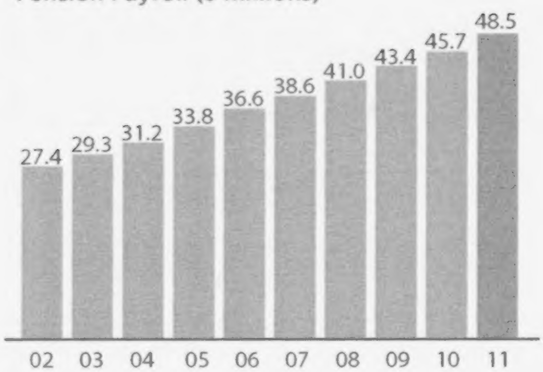
$70.9 million
Net contributions

$48.5 million
Total pension payroll

Total Contributions & Transfers-In ($ millions)



Pension Payroll ($ millions)



Comparative Investment and Administration Costs (000s)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Administrative Costs	4,922	4,048	3,654	3,162	2,822	2,540	2,328	2,051	2,643	2,660
Custodial fees	141	155	167	210	207	128	131	128	164	95
Investment fees	4,655	4,254	4,828	6,112	3,906	3,237	2,708	2,296	2,001	1,996
Totals	**9,718**	**8,457**	**8,649**	**9,484**	**6,935**	**5,905**	**5,167**	**4,475**	**4,808**	**4,751**

Plan Profile

MEPP Members

The Plan holds approximately $1.4 billion in total assets. MEPP's membership consists of more than 17,000 members and 4,000 pensioners.

The Municipal Employees' Pension Plan (MEPP) is a 'defined benefit' plan. Pensions are based on a formula that provides pension, disability, death and termination benefits for all eligible members. The formula is based on highest average salary, pensionable service and the accrual rate in effect during the years of service. Members contribute a fixed percentage of salary. Employers match these contributions.

The amount of pension a member will receive is not directly related to investment returns. An adequate level of contributions and positive investment returns are necessary to secure the Plan's ability to pay benefits.

Under normal retirement rules, members may retire and receive a pension with no reduction if they are 65 years of age or if their age plus eligibility service equal at least 80 years. Members may retire and receive a reduced pension if they have reached age 55 and have at least 15 years of eligibility service.

Designated firefighters and police officers may receive an unreduced pension if their age plus eligibility service equal at least 75, they are 55 years of age, or have at least 25 years of eligibility service. These members may retire and receive a reduced pension if they have reached age 45 and their age plus eligibility service equal at least 70.

MEPP's history begins in the 1940s. Initially, the Rural Municipal Secretary Treasurer's Superannuation Plan was established in 1941. In 1949, the Urban Employees' Superannuation Plan was established. In 1959, these two plans joined to form the Municipal Employees' Superannuation Plan, which became the current plan in 1973.

MEPP is registered under the *Income Tax Act* (Canada) and is governed by *The Municipal Employees' Pension Act* and related Regulations, and *The Pension Benefits Act, 1992* and related Regulations.

The Plan holds approximately $1.4 billion in total assets. MEPP's membership consists of more than 17,000 active and deferred members and 4,000 pensioners

Who We Are

THE COMMISSION

The Municipal Employees' Pension Commission administers MEPP. The Commission has the fiduciary responsibility for administering MEPP and managing the investment activities in the best interests of all MEPP members.

Our purpose
To provide retirement income and pension services to members.

Our commitment
To oversee and direct the administration of the Plan, and to manage the assets in the best interest of the members.

Our goals
- Provide customer-oriented communications and service.
- Maintain the financial integrity of the Plan.
- Plan governance.
- Accountability.

LEFT TO RIGHT: Ray Sass, Betty Moleski, Orrin Redden, Roland Zimmer, Earl Braun, Allan Johnson, Don McCallum, Ray Orb

NOT PICTURED: Bonnie Ozirny and Rory Griffith

Municipal Employees' Pension Commission

The Commission has 10 members, five appointed on behalf of participating employers and five on behalf of employees. The full term of office for Commission members is four years. A member may be appointed for two full terms. Each year the Commission members elect a Chair and a Vice-Chair. The Chair and Vice-Chair are elected for a one-year term. At December 31, 2011, the Commission was composed of the members listed in *Table 1.1*.

Municipal Employees' Pension Commission Members at December 31, 2011

Name	Position	Appointing Body
Bonnie Ozirny	Chair	Saskatchewan School Boards Association
Earl Braun	Vice-Chair	Associations representing Designated Police Officers and Firefighters
Rory Griffith	Member	The Saskatchewan Association of School Business Officials
Allan Johnson	Member	Regional Colleges/Regional Libraries
Don McCallum	Member	The Rural Municipal Administrators' Association of Saskatchewan
Betty Moleski	Member	Trade Unions representing employees who are members of the Plan
Ray Orb	Member	The Saskatchewan Association of Rural Municipalities
Orrin Redden	Member	The Urban Municipal Administrators' Association of Saskatchewan
Ray Sass	Member	Saskatchewan School Boards Association
Roland Zimmer	Member	The Saskatchewan Urban Municipalities Association

Table 1.1

Commission Goals

- Provide customer-oriented communications and service: The Commission is determined to identify, assess, and implement opportunities where appropriate that add value to the communication and service provided to Plan members.
- Maintain the financial integrity of the Plan: The Commission is committed to achieving the needs of Plan members and employers through affordable, sustainable Plan benefits and services.
- Plan governance: The Commission strives to demonstrate leading practices of pension plan governance.
- Accountability: Performance of the Plan and the Commission's service providers is managed, measured and reported.

Commission Values

- Accountability: We are accountable to the members and the stakeholders of MEPP for our administration of the Plan. We operate in a transparent manner.
- Professionalism: We strive for excellence in our administration of MEPP by being diligent and making informed decisions.
- Integrity: As trustees of the Municipal Employees' Pension Fund we hold ourselves to the highest standards of integrity. We strive to act always with honesty and in a manner worthy of the trust our members have placed in us.
- Fairness: We administer MEPP in the best interests of all members of the Plan. We strive to ensure that our decisions are equitable for all Plan members by adhering to decision making that is fair and open-minded. Our actions are courteous, considerate and responsive.

Attendance

The Commission met nine times in 2011. *Table 1.2* shows the number of meetings each Commission member attended.

Name	Number of Meetings Attended
Earl Braun	9
Rory Griffith[1]	2
Allan Johnson	9
Don McCallum[2]	3
Betty Moleski	9
Ray Orb[2]	2
Bonnie Ozirny	9
Orrin Redden	9
Ray Sass	8
Roland Zimmer	9

[1] *Rory Griffith's term of appointment commenced on October 1, 2011.*
[2] *Don McCallum's and Ray Orb's term of appointment commenced on September 1, 2011.*

Table 1.2

Education

The Commission has an education program for Commission members. The purpose of the program is to ensure the Commission members possess a sound knowledge and understanding of pension-related issues. The Commission budgets $5,000 per year for each Commission member for registration fees.

Upon appointment to the Commission, new members receive an orientation binder containing a number of Commission documents, and each member meets with the Commission's Executive Secretary regarding Commission materials and meeting process. New members are also assigned a mentor during their orientation period who is available to answer questions and offer guidance as required.

Commission members have a formal education program that they are required to attend. The program provides a list of courses and seminars that deliver content specific to investment-related, funding-related and governance-related information.

- Within one year, members must complete courses on basic trustee development, and basic investment knowledge and attend an education session on basic actuarial principles.
- Within two years, members must complete courses in advanced investment knowledge.
- Within three years, members must complete courses in advanced trustee development.

Commission members who have completed the formal education program are also required to attend one educational event annually that is facilitated by an industry-recognized pension and benefits organization. A Commission member who is actively pursuing the formal education program is exempt from the obligations found in the ongoing development for all members. However, all members are strongly encouraged to attend an education event.

Table 1.3 lists the education events attended by Commission members to December 31, 2011.

Commission members strive to attain a sound knowledge and understanding of pension-related issues.

Seminars, Courses and Other Events Attended by Commission Members in 2011

Commission Member	Educational Events Attended		Registration Fees (Total)
Earl Braun Appointed September 2006	**Formal Education Program** Completed in 2007	**Ongoing Education** • ATMS Part I • Brandes Client Conference • Canadian Investment Institute	$2,570
Rory Griffith Appointed October 2011	**Formal Education Program** N/A (working through program)	**Ongoing Education** Working through program	-
Allan Johnson Appointed September 2005	**Formal Education Program** Completed in 2007	**Ongoing Education** • ATMS Part IV • Brandes Client Conference • Canadian Employees Benefits Conference • Canadian Investment Institute • CPBI Luncheon • Annual Pension Information Session	$3,993
Donald McCallum Appointed September 2011	**Formal Education Program** Basic Actuarial Principles	**Ongoing Education** Working through program	-
Betty Moleski Appointed December 2007	**Formal Education Program** No events attended	**Ongoing Education** • Annual Pension Information Session	-
Ray Orb Appointed September 2011	**Formal Education Program** N/A (working through program)	**Ongoing Education** Working through program	-
Bonnie Ozirny Appointed March 2006	**Formal Education Program** Completed in 2007	**Ongoing Education** • ATMS Part IV • Brandes Client Conference • Annual Pension Information Session • Canadian Investment Institute	$2,570
Orrin Redden Appointed September 2005	**Formal Education Program** Completed in 2008	**Ongoing Education** • Brandes Client Conference • Annual Pension Information Session	-
Ray Sass Appointed March 2010	**Formal Education Program** ATMS Part I and Part II	**Ongoing Education** • Brandes Client Conference • Canadian Investment Institute	$3,790
Roland Zimmer Appointed September 2006	**Formal Education Program** Completed in 2008	**Ongoing Education** • Brandes Client Conference • Canadian Employees Benefits Conference • Canadian Investment Institute	$2,725
		Total Expenditures	**$15,648**

Table 1.3

The Commission's formal education includes the Advanced Trustee Management Standards (ATMS) program, a four-part certificate program that is delivered by the International Foundation of Employee Benefits Plans. ATMS provides basic and advanced training in pension fund management and pension fund leadership for pension trustees.

Conferences attended by Commission members as part of their ongoing education provide the Commission with information on the current governance, investment and legal environment affecting pension plans. The conferences also provide opportunities for Commission members to meet with pension experts and pension trustees from other pension plans to discuss common pension issues.

Contracted Services

The Commission is ultimately responsible for the Plan's administration, communication and investment activities. To discharge these responsibilities, the Commission uses the services of various organizations.

The Commission contracts with the Public Employees Benefits Agency (PEBA) to provide administrative services for the Plan. PEBA is part of the Ministry of Finance, Government of Saskatchewan, and administers a wide range of pension and benefits plans.

Under contract with the Commission, PEBA:

- maintains all member and accounting records;
- collects and deposits contributions to the Fund;
- transfers contributions to the custodian of the Fund for investment;
- monitors, administers and assists in the execution of the Plan's investment program in accordance with the investment policy;
- determines all questions of coverage, eligibility and methods of providing or arranging for the provision of benefits;
- calculates and pays all pension benefits;
- communicates with members and participating employers;
- recommends an actuary as an advisor to PEBA and the Commission, and retains an actuary selected on behalf of the Commission;
- makes recommendations with respect to the calculation rates of interest for the purposes of determining rates of interest to be allocated annually to the amounts standing to the credit of members and for the purposes of calculating any amounts payable into or out of the Fund; and
- prepares the annual report.

PEBA is responsible for ensuring that all transactions are made in accordance with *The Municipal Employees' Pension Act*, *The Pension Benefits Act, 1992*, and their related Regulations.

The Commission retains RBC Dexia Investor Services Trust as the Plan custodian, Eckler Ltd. as the Plan actuary and Mercer (Canada) Limited as the investment consultant. The Commission also retains the 12 investment managers listed in *Table 1.11* on page 25 of this report.

Plan Expenditures and Statistics

22.4 thousand
Plan members

46.5 average age
Active members

4.4 thousand
Pensioners

Pension Payments

In 2011, MEPP made monthly pension payments to 4,478 pensioners, paying approximately $48.5 million.

PEBA's service objectives are to ensure that all payments are made by their due dates and that all supplemental increases for pensioners are processed on a timely basis. PEBA met these objectives in 2011.

The number of member retirements in 2011 is shown in *Table 1.4*.

Retirement Comparisons	2011	2010
Normal Retirement	57	77
Early Retirement	153	139
Postponed Retirement	44	4
Temporary Retirement	14	11
Total	**268**	**231**

Table 1.4

Plan Membership

In 2011, Plan membership increased for active members and pensioners but decreased for inactive members as is shown in *Table 1.5*.

Plan Member Comparisons	2011	2010
Active	14,207	13,623
Inactive	3,799	3,852
Pensioners	4,478	4,369

Table 1.5

Income Allocation

In 2011, the Commission allocated interest to members' accounts at the rate of -0.51% for the year.

Supplemental Increases for Pensioners

No supplemental increases were applied in 2011.

Operating Expenditures

Table 1.6 on page 13 shows plan operating expenditures for the year ended December 31, 2011.

Expenses (000s)		
	Total Cost	**(%)**
Administration costs / Investment consultant fees	$4,922	50.6
Custodial fees	141	1.5
Investment management fees		
Global Infrastructure Partners - C, LP	688	7.1
Greystone Managed Investments Inc.	1,254	12.9
Foyston, Gordon & Payne Inc.	442	4.5
Brandes Investment Partners, LP	716	7.4
BlackRock Asset Management Canada Ltd.	164	1.7
Snyder Capital Management, LP	514	5.3
Pareto Investment Management Ltd.	462	4.7
Steel River Infrastructure Fund North America, LP	263	2.7
TDEAFE Global Shadow	5	0.1
TDAM Fixed Income Overlay	6	0.1
Canso Investment Domestic Portfolio	48	0.4
PIMCO Investments Global Shadow A/C	59	0.6
Wellington Management Global Shadow	31	0.3
TD EAFE	3	0.1
	$9,718	**100.0**

Table 1.6

Active Employers

At December 31, 2011, there were 725 employers participating in the Plan.

The distribution of employers by employment sector is shown in *Figure 1.1*.

Figure 1.1

49.9%	Towns and Villages (362)
40.8%	Rural Municipalities (296)
3.5%	School Divisions and Boards (25)
2.3%	Other (17)
2.1%	Regional Colleges & Libraries (15)
1.4%	Cities (10)

Active Members by Employer

The distribution of the Plan's active members by employer is shown in *Figure 1.2*.

The number of active members illustrated in Figure 1.2 differs from the total active members in Table 1.5 on page 12 because some members work for more than one employer.

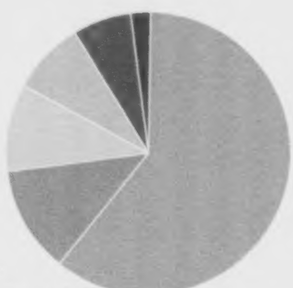


Figure 1.2

60.8%	School Divisions and Boards (8,867)
12.0%	Towns and Villages (1,756)
10.0%	Rural Municipalities (1,464)
8.4%	Cities (1,232)
6.8%	Regional Colleges & Libraries (980)
2.0%	Other (302)

PEBA reports measurement against standards to the Commission quarterly. *Table 1.7* and *Table 1.8* provide measurement results for the 2011 year.

PEBA Service Standards January 1, 2011 to December 31, 2011

	Completed	Number that Meet or Exceed Standard	% that Meet or Exceed Standards	*Standard (Business Days)
Statement on Termination (Option Letter)	1,268	1,189	93.8	30
Statement on Death (Active/Deferred) (Option Letter)	38	36	94.7	10
Statement on Death (Pensioners) (Option Letter)	65	63	96.9	10
Payments (includes on termination and death)	1,227	1,088	88.7	10
Payment of New Retirements	232	231	99.6	1 Month
Pension Estimates (Retirement Option Letter)	450	433	96.2	15
Marriage Breakdown Calculations	53	53	100.0	15
Purchase of Service	30	28	93.3	30
Portability Transfer Value	21	18	85.7	30
Total	**3,384**	**3,139**	**92.8**	

Table 1.7

PEBA Periodic Requirements January 1, 2011 to December 31, 2011

	Completed	Number that Meet or Exceed Standard	% that Meet or Exceed Standards	*Standard (Business Days)
Annual Member Statement	1	1	100.0	75
Budget Variance Reporting	4	4	100.0	Quarterly
Proposed Annual Budget	1	1	100.0	Annually
Performance Measurement	4	4	100.0	Quarterly
Decisions Affecting Stakeholders	1	0	0.0	1 Month
Newsletter (MEPP *Matters*)	2	2	100.0	Semi-annually
Total	**13**	**12**	**92.3**	

Table 1.8

* Standard is set within the contract between the Commission and PEBA

Strategic Business Plan

The strategic business plan has been developed within the context of the Plan's values, mission and goals.

In May 2011, the Commission reviewed and amended its three-year strategic business plan for the period 2011 to 2013.

The strategic business plan sets out goals for the planning period in four major categories:

Customer-oriented Communications and Service	The Commission is determined to identify, assess and, where appropriate, implement opportunities to add value to the services the Plan provides to its members.
Maintain the Financial Integrity of the Plan	The Commission is committed to achieving the needs of Plan members and employers through affordable, sustainable, Plan benefits and services
Plan Governance	The Commission strives to demonstrate leading practices of pension plan governance.
Accountability	Performance of the Plan and the Commission's service providers is measured, managed, and reported.

The strategic business plan was developed as part of the Commission's comprehensive governance process, which includes regular strategic business planning and risk management planning. It was developed within the context of the Plan's purpose, mission and goals and the Commission's values of accountability, professionalism, integrity and fairness. The new strategic business plan considers a number of internal and external factors.

This annual report will provide reporting for the strategic initiatives completed in 2011, other activities accomplished in 2011, and activities planned for implementation/completion in 2012 under the updated strategic plan.

Strategic Initiatives

1. Customer-oriented Communications and Service

The Commission's objectives:

- Support member understanding of the Plan, including individual member benefits and responsibilities.
- Provide relevant, timely and accurate information which is easy to understand.
- Support participating employers.
- Maintain an up-to-date suite of services that meet evolving member needs.

The Commission has a number of ongoing communication strategies that are designed to inform members and employers about the Plan, including:

- A stakeholder consultation process.
- Plan overview presentations for employers and employees.
- Plan member retirement workshops.
- Print materials that include the MEPP *Matters* newsletter, the MEPP Member Booklet, the MEPP *In-Depth* publications for specific Plan issues, and quarterly MEPP Employer Bulletins. These materials are available on the Plan's website.
- The *MORe* retirement planner available on the Plan website.

Activities planned and accomplished in 2011

Continued development and implementation of communication tools that emphasize the value of the Plan.

- Value messaging was updated and highlighted more prominently in Plan communication materials, including the member booklet, employer bulletins, the *MOR*e retirement planner, member statements, termination letters and the Plan website.
- The Plan website was updated to communicate more effectively to members in various stages of their careers.

Compile and analyze the results of the membership survey.

- The results of the membership survey were presented to the Commission at its February 2011 meeting. The key findings of the survey were incorporated as initiatives into the Commission's Strategic Business Plan 2011-2013.
- The results of the survey were posted to the Plan website and communicated to members in the MEPP *Matters* newsletter in May 2011.

Activities planned for 2012

Add web-based, video-based information to the Plan website.

- Providing information about the Plan in a video-based format to capture a wider segment of Plan Members and members who prefer to receive information in a web-based format.

Augment RetireWithEase presentations to address low levels of retirement planning knowledge.

- Developing and delivering materials that help members understand the value of their pension and the role it plays in attaining their overall retirement objectives.

Enhance member statements to include personalized information.

- Providing pension information that is unique to the member's situation as part of the members' annual pension statement.

Expand uses for the Employer Remittance System (ERS).

- Providing employers with enhanced online tools for enrolling Plan members and updating Plan member information within the system.

2. Maintain the Financial Integrity of the Plan

The Commission's objectives:

- Maintain Plan funding that will be able to pay promised benefits in full as they come due while keeping contribution rates stable over the long term.
- Ensure Plan design includes benefits that meet the needs of all stakeholders.
- Identify, assess and manage the Plan's financial risks.

The Commission has implemented a funding policy that monitors the ability of the Plan to pay benefits on a fully-funded basis. The policy includes established target ranges that the Commission uses to make decisions concerning plan contributions and benefit levels.

Activities planned and accomplished in 2011

The actuarial valuation for the Plan as at December 31, 2010 was prepared in accordance with the Funding Policy. The valuation was filed with the Canada Revenue Agency and the Saskatchewan Financial Services Commission in September 2011.

Implementation of the linked funding and investment policies.

- An overall fixed income benchmark was established for the Plan. The fixed income benchmark provides the ability to monitor and assess the overall fixed income portfolio on an integrated basis, and it reflects the objective of the fixed income portfolio to reduce exposure to interest rate fluctuations.
- A liability benchmark was established for the Plan to provide the Commission with a tool to:
  - approximate Plan liability levels on a quarterly basis, providing some sense of the overall financial health of the Plan between actuarial valuations;
  - articulate risk tolerance and performance objectives in the Statement of Investment Policies and Procedures (SIP&P); and
  - supplement quarterly performance monitoring and maintain a focus throughout the year on the link between the Plan's liabilities and assets.
- The Commission retained a fixed income overlay manager, one Canadian Corporate Bond manager and two Canadian Core Plus Bond managers to manage the fixed income mandates for the Plan.
- The Commission approved amendments to the Funding Policy, which reflect changes to the method in which the minimum funding target is achieved and the interest rate used for the Plan's assets in the management valuation.

Assess Plan provisions and funding implications based on member feedback, funding policy and investment policy study and the results of the solvency valuation.

- The results of the membership survey were presented to the Commission at its February 2011 meeting.
- The Commission received the results of the actuarial valuation for the Plan as at December 31, 2010.
- The Commission amended the Funding Policy to modify the method in which the minimum funding target is achieved.

Activities planned for 2012

The Commission will conduct a plan design study that will form the basis for consultations with the Plan's stakeholders.

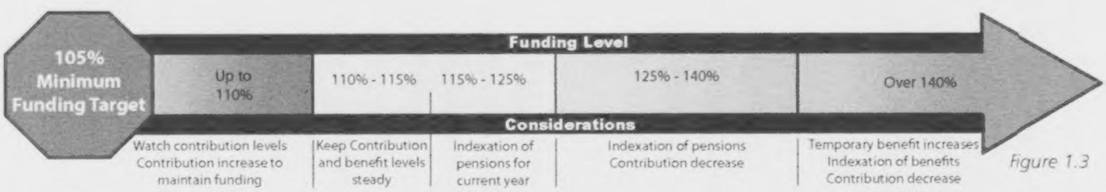


Figure 1.3

3. Plan Governance

The Commission's objectives:

- The Commission demonstrates that it is a responsible fiduciary.
- Ensure the Plan's business model, including roles and responsibilities of both the Commission and the contracted service providers, is consistent with the Plan's strategy and operations.

The Commission employs various tools to achieve its objectives, including:

- The Commission's member orientation program and its formal and ongoing educational program.
- A comprehensive Governance Manual.
- The development of a Policy Manual.
- The establishment of service standards with the Plan's administrator.

Activities planned and accomplished in 2011

Undertake an analysis of the recommendations provided by the 2010 Fiduciary Benchmarking Study for Canadian Public Retirement Plans, and determine what improvements the Commission should make in the overall operation of the Commission.

- The Commission has implemented various initiatives based on the Fiduciary Benchmarking Study for Canadian Public Retirement Plans, which include: enhanced reporting of member satisfaction with service delivery; enhanced reporting of educational activities undertaken by Commission members; and an expansion of the early-stage orientation program to include financial literacy, Plan-specific, Commission-specific, and governance-focused content.

Develop a paper on the roles and responsibilities of the Commission and its service providers.

- The Commission developed an initiative to clarify PEBA's provision of executive management services. The changes resulted in amendments to the Commission's Acquisition and Retention of Services policy, and the Commission's Governance Manual.

Develop materials to formally evaluate executive management services.

- A process was developed and approved for the evaluation of PEBA in relation to its provision of executive management services.

Activities planned for 2012

The Commission is to commence formal evaluation of PEBA's provision of executive management services.

4. Accountability

The Commission's objectives:

- Understand stakeholder and member information requirements and provide them with information regarding the Plan's strategy, operations and values.
- Provide relevant and timely reporting on the performance of the Plan, the Commission and service providers.

The Commission demonstrates its accountability to the Plan's members and employers through:

- Annual self-assessments completed by the Commission.
- The development, implementation and review of the Commission's Strategic Business Plan.

Activities planned and accomplished in 2011

Enhance performance reporting for the Plan, the Commission and service providers.

- Key components for enhanced reporting of the Plan's activities and accomplishments began in mid-2011.

Enhance reporting of educational activities undertaken by the Commission.

- Detailed information on educational events attended by Commission members in relation to the Commission's compulsory education program is included in the Commission's 2011 Annual Report.

Activities planned for 2012

Enhance performance reporting for the Plan, the Commission and service providers.

- The Commission is to receive the enhanced performance measures for the quarter ending March 31, 2012.

MEPP Designated Members
Estevan Fire Service

Risk Management

Within its mandate, the Commission is responsible for managing risks that could affect the operation of the Plan, the Plan's members and other stakeholders. The risk management process provides the Commission and its administrator with the means to identify and evaluate the foreseeable risks in the Plan. Supporting strategies are developed to manage or mitigate these risks.

The Risk Management Plan and its annual review ensure that a regular, documented process is in place that provides rationale for the Commission's risk management decisions. To assist in the identification and assessment of all foreseeable risks in the Plan, the Commission has identified the following key broad-based risks of the Plan:

Strategic Risk encompasses the potential risks as they relate to communication and service delivery, Plan design suitability, Plan reputation, Plan governance and accountability.

Financial Risk deals with the investment, funding, and benefit policies, Plan design costs, and demographic considerations.

Regulatory Risk ensures Plan compliance with legislation, fiduciary obligations and the legal requirements of pension plan management.

Operational Risk encompasses the strategies in place to handle operational emergencies and compliance with governance policies.

The Commission has developed strategies to manage the identified risks. *Table 1.9* summarizes the risks and strategies to mitigate these risks.

	Strategic Risks				Financial Risks				Regulatory Risks		Operational Risks			
	Meet the needs of Plan Stakeholders	Communication mandate	Inaccurate communication	Governance structure	Insufficient assets	Contribution Instability	Excessive expenses	Fraud	Law or legislative non-compliance	Fiduciary Obligations	Investment managers	Errors & Omissions	Failure of service provider	Service provider performance
1) Auditing Process					■	■	■	■	■					
2) Budgeting Process							■		■	■				
3) Administration Reports		■	■	■					■			■		■
4) Performance Benchmarks				■			■							
5) Strategic Business Planning	■	■	■	■						■				
6) Risk Management Plan and Review	■	■	■	■	■	■	■	■	■	■	■	■	■	■
7) Plan Design	■													
8) Policy Manual	■	■	■	■	■	■	■	■	■	■	■	■	■	■
9) Statement of Investment Policy and Procedures					■	■			■		■			
10) Governance Manual				■										
11) Commission Composition				■										
12) Communication Strategies		■	■		■	■								
13) Stakeholder Consultation	■									■		■		
14) Business Continuance Plan (BCP)		■	■										■	
15) Service Provider Performance					■	■	■							
16) Actuarial Valuations					■	■								
17) Asset-Liability					■	■								

Table 1.9

The foreseeable risks identified under each of these key broad-based risk categories are reviewed annually. This annual review is designed to identify potential events and trends that may positively or negatively affect the Commission's ability to achieve its strategic goals or maintain its operations. The Strategic Plan, as reviewed and updated from time to time, provides the Commission with an external and internal environmental scan to support this annual risk management review.

Activities planned and accomplished in 2011

The Commission's Strategic Business Plan contains initiatives that relate directly to the assessment of Plan provisions to ensure they meet the needs of Plan members. A membership survey was undertaken in late 2010. The results were presented and the valuation for 2010 is complete. The Actuarial Valuation for the period ending December 31, 2011 is being completed and an assessment of Plan provisions will be undertaken, if required.

- This initiative has been deferred to 2012.

The Commission's Strategic Business Plan contains initiatives that relate directly to the management of communication risks. These initiatives include the development of value messaging for termination letters and pension commencement letters

- The value messaging for termination and pension commencement letters was completed during the first six months of 2011.

The review of the composition of the Commission will be reported to the Ministry of Finance.

- A review of the composition of the Commission was undertaken in late 2010 in accordance with *The Municipal Employees Pension Act*. The Commission Composition Review report, which included a number of recommendations to strengthen the operation of the Commission, was provided to the Minister of Finance on March 31, 2011. The report was also posted on the Plan website.

The Commission will review recommendations on the provision of executive management services by PEBA.

- The Commission implemented a process and approved an evaluation tool that it will use in 2012 to evaluate PEBA's provision of executive management services.

Work will continue on the implementation of recommendations to link the funding and investment policies.

- At its November 2011 meeting the Commission approved a revised SIP&P. Significant changes include:
  - the establishment of a liability benchmark for the Plan;
  - the termination of the Pareto Currency Absolute Return mandate;
  - extending the Permitted Investments and Minimum Quality Requirements to reflect the investments supporting the Corporate Bond, Core Plus and Bond Overlay mandates;
  - the delegation of responsibilities has been updated to clarify the roles of various parties, including PEBA; and
  - updated performance measurement objectives to reflect the value add objectives approved by the Commission.
- The Commission approved amendments to the Funding Policy, which reflect changes to the method in which the minimum funding target is achieved.

Throughout 2011, PEBA will incorporate the International Organization of Standardization's recently published risk management principles and guidelines into the Plan's annual risk assessment process. The annual Risk Management Plan is based on the annual risk assessment.

- This initiative has been deferred to 2012 in order to allow the Commission to conduct a risk management review that creates a more robust risk management structure.

As part of a bi-annual review, service providers are required to confirm their adherence to a code of conduct and conflict of interest policy, and to confirm that they have a Business Continuance Plan for their organizations.

- The Commission received confirmation at its meeting in October 2011 that all of its service providers adhere to a code of conduct and conflict of interest policy, and that all have a Business Continuance Plan in place. The next review will take place in 2013.

Continued development of a Policy Manual is to occur in 2011.

- Throughout 2011, the Commission reviewed sections of its Policy Manual. The following policies were amended:
  - Acquisition and Retention of Services
  - Funding
- The following policies were approved for inclusion in the Policy Manual:
  - Privacy

Periodic evaluation by the Commission's administrator of the performance of the custodian, actuary and investment consultant.

- Performance evaluations of the Commission's custodian were reviewed in January and September, and the performances of its actuary and investment consultant were reviewed in November.

The Commission will continue to receive quarterly updates comparing actual expenditures versus budgeted amounts.

- The Commission received quarterly updates on its budget for the period ending December 2010, and for the periods ending March, June, and September 2011.

The Commission will continue to receive periodic updates of the initiatives identified in its Strategic Business Plan.

- The Commission received updates on its Strategic Business Plan at its January, April and September meetings.

The completed Periodic Checklist will be provided to the Commission on a semi-annual basis.

- PEBA provided the Commission with the final Periodic Checklist for 2010 in February 2011 and the interim Periodic Checklist for the first six months of 2011 in September 2011.

Activities planned for 2012

- The Commission's Strategic Business Plan contains initiatives that relate directly to the assessment of Plan provisions to ensure they meet the needs of Plan members.

- The Commission's Strategic Business Plan contains initiatives that relate directly to the management of communication risks. These initiatives include:
  - implementation of value messaging on documents for pensioners and a value message tool for employers;
  - development of materials that help members understand the value of their pension and the role it plays in the overall attainment of their retirement objectives;
  - provision of pension information that is unique to the member's situation on the member statement; and
  - provision of online tools to assist employers with enrolment of Plan members and updates to Plan member information.

- The Commission will commence the use of an evaluation tool and metrics to evaluate executive management services.

- A risk management review will be conducted to create a more robust risk management structure.

Investments

Trustees

As trustees of the Fund, the Commission is responsible for prudently investing the Fund's assets.

Investment Policy

In fulfilling its responsibility to prudently invest the Fund's assets, the Commission has adopted an investment policy for the Plan. This policy is set out in the Statement of Investment Policies and Procedures (SIP&P), which the Commission reviews annually.

The SIP&P contains guidelines for investment of Plan assets, and includes:

- investment and risk philosophy;
- asset mix and diversification policy, including portfolio return expectations;
- benchmarks for each investment manager and for the Fund;
- permitted investments and quality guidelines;
- monitoring and control responsibilities, including performance targets;
- compliance reporting and monitoring requirements; and
- conflict of interest guidelines.

Investment Consultant

The Plan's investment consultant is Mercer (Canada) Ltd. In 2011, the investment consultant provided strategic investment guidance, performance monitoring, regular and special project investment consulting, and reports to the Commission. The Commission paid consulting fees of $771,500 in 2011.

Fees Paid for Investment Services in 2011	(000's)
Investment Managers (total)	$4,655,000
Investment Consultant	772,000
Custodian	141,000
Total	**$5,568,000**

Table 1.10

Investment Managers

The Commission delegates responsibility for investing the Fund assets to professional investment managers. Each manager invests within a specific mandate, as outlined in *Table 1.11*. Investment managers were paid a total of $4,655,000 in 2011.

Asset Allocation by Investment Manager

Figure 1.4

24.6%	Greystone Managed Investments Inc
10.8%	BlackRock Asset Management Canada Ltd.
10.1%	Foyston Gordon & Payne, LP
9.9%	Wellington Management Company, LLP
9.7%	Canso Investment Counsel Ltd.
9.7%	PIMCO Canada Corp.
8.7%	TD Asset Management, Inc.
8.2%	Brandes Investment Partners Fund
1.9%	Steel River Infrastructure Fund North American, LP
2.1%	Global Infrastructure Partners Fund
4.1%	Snyder Capital Management Inc.
0.2%	Pareto Investment Management Ltd.

Investment Manager Mandates

Investment Manager	Mandate
Steel River Infrastructure Fund North America, LP	Infrastructure
BlackRock Asset Management Canada Ltd.	U.S. Equities
Brandes Investment Partners, LP	Non-North American Equities
Foyston, Gordon & Payne Inc.	Canadian Equities
Global Infrastructure Partners Fund	Infrastructure
Greystone Managed Investments Inc.	Real Estate, Canadian Equities, U.S. Equities, Non-North American Equities, Short term Investments
Pareto Investment Management Ltd.	Currency
Snyder Capital Management, LP	U.S. Equities
Wellington Management Company, LLP	Core Plus Bonds
TD Asset Management, Inc.	Non-North American Equities, Bonds and Derivatives
Canso Investment Counsel Ltd.	Corporate Bonds
PIMCO Canada Corp.	Core Plus Bonds

Table 1.11

Custodian

The Commission retains RBC Dexia Investor Services Trust as the custodian of the Plan. The custodian is responsible for:

- safekeeping of assets;
- collection of income;
- settlement of investment transactions; and
- recording and verifying investment transactions.

RBC Dexia received $141,000 in fees in 2011.

Investment Objectives

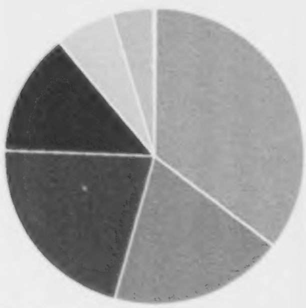
Total Fund

The Fund's primary objective is to grow at a rate which exceeds the growth of the Plan's liabilities. To measure the growth of the Plan's liabilities, a fixed income portfolio that approximates its going-cornern pension liabilities behaviour (the Liability Benchmark) has been established.

To achieve its goal, the Commission has established:

- a long-term strategic asset mix that is reflected by the Plan's benchmark (a standard against which performance is measured); and,
- an investment management structure consisting of one or more investment managers in each major asset class.

MEPP Asset Mix



35.4%	Fixed Income
21.5%	U.S. Equities
18.8%	Canadian Equities
13.3%	Non-North American Equities
6.5%	Real Estate
4.3%	Infrastructure
0.2%	Cash Currency Forward

Figure 1.5

Plan Benchmarks by Asset Class

Asset Class	Market Index	Minimum Investment	Benchmark Portfolio	Maximum Investment
Canadian Equities	S&P/TSX Capped Composite Total Return Index	14%	**19%**	24%
U.S. Equities – Large Cap Active and Passive Hedged	S&P 500 Composite Total Return Index	10%	**14%**	19%
U.S. Equities – Small Cap	Russell 2000 Index	2%	**4%**	6%
Non-North American Equities	93% MSCI EAFE + 7% MSCI Emerging Markets	14%	**18%**	22%
Canadian Bonds – Corporate	DEX Corporate Bond Index	7%	**10%**	13%
Canadian Bonds – Core Plus	DEX Universe Bond Index	7%	**10%**	13%
Canadian Bonds – Long Term Core Plus	DEX Long Term Overall Bond Index	7%	**10%**	13%
Canadian Bonds – Short Term/ Overlay Collateral	DEX Long Government Bond Index and the DEX 20+ Strip Bond Index	0%	**5%**	10%
Infrastructure	Consumer Price Index plus 5%	2%	**5%**	8%
Real Estate	Investment Property Databank	3%	**5%**	8%
			100%	

Table 1.12

Fund Performance

Investment Fund Performance

The Commission reviews the performance of the Fund in terms of the performance of a benchmark portfolio over rolling four-year periods. The performance of individual investment managers is measured against the objectives set for their individual portfolios.

The Fund had a return of 0.6% for the year ended December 31, 2011, underperforming the benchmark by 0.4 percentage points. Over the past four years, the Fund had an annualized return of 1.5%, exceeding the benchmark by 0.1 percentage points.

MEPP
0.6%
1-Year Return

MEPP
1.5%
4-Year Return

Benchmark
0.4%
1-Year Return

Benchmark
0.1%
4-Year Return

Greystone	Greystone
-15.3% 1-Year Return	-5.2% 4-Year Return

Foyston	Foyston
-5.9% 1-Year Return	0.8% 4-Year Return

S&P/TSX Capped Composite Total Return	S&P/TSX Capped Composite Total Return
-8.7% 1-Year Return	-0.7% 4-Year Return

Canadian Equity Managers

The Plan's Canadian equity managers are Greystone and Foyston, Gordon & Payne Inc. (Foyston). Both are active managers and are measured against the S&P/TSX Capped Composite Total Return Index. Their complementary management styles help ensure diversification of the Fund's investments.

In the year ended December 31, 2011, Greystone's Canadian equity component returned -15.3%, underperforming the benchmark by 6.6 percentage points. Over four years, Greystone underperformed the benchmark by 4.5 percentage points, achieving an annualized return of -5.2%.

In 2011, Foyston returned -5.9%, outperforming the benchmark by 2.8 percentage points. Foyston's four-year annualized return of 0.8% is 1.5% above the benchmark.

Greystone	Greystone
1.1% 1-Year Return	-1.7% 4-Year Return

S&P 500 Composite Total Return	S&P 500 Composite Total Return
4.6% 1-Year Return	-0.9% 4-Year Return

U.S. Equity Managers

The Plan's U.S. equity managers include Greystone, BlackRock Asset Management Canada Limited (BlackRock) and Snyder Capital Management, LP (Snyder).

Greystone is an active manager measured against the benchmark S&P 500 Composite Total Return Index. Managing U.S. large cap equities, Greystone realized a positive return of 1.1% in the year ended December 31, 2011, underperforming the benchmark by 3.5 percentage points. Greystone's four-year annualized return of -1.7% underperformed the benchmark by 0.8 percentage points.

BlackRock	BlackRock
1.6% 1-Year Return	-3.2% 4-Year Return

S&P 500 Composite Total Return Hedged	S&P 500 Composite Total Return Hedged
1.7% 1-Year Return	-3.3% 4-Year Return

BlackRock manages passive, hedged U.S. equity investments and is measured against the hedged S&P 500 Composite Total Return Index. BlackRock had negative tracking error of 0.1%, returning 1.6% for the year ended December 31, 2011. Over four years, Black Rock had positive tracking experience of just over 0.1% compared to the hedged S&P 500 Index.

U.S. Equity Managers

Snyder actively manages the small and mid-cap U.S. equity portfolio. Snyder provided a return of 6.2% for the year ended December 31, 2011. This return outperformed the Russell 2000 Index by 8.0 percentage points. Over four years, Snyder outperformed the benchmark by 2.3 percentage points.

Snyder
6.2%
1-Year Return

Snyder
3.7%
4-Year Return

Russell 2000
-1.8%
1-Year Return

Russell 2000
1.4%
4-Year Return

Non-North American Managers

The Plan's Non-North American investment managers include Greystone and Brandes Investment Partners, LP (Brandes). Their performance is measured against the MSCI EAFE + 7% MSCI Emerging Markets.

Greystone and Brandes employ different management styles that complement one another, helping ensure diversification of the Fund's investments.

Greystone returned -14.5% in the year ended December 31, 2011, which underperformed the benchmark by 4.5 percentage points. Over four years Greystone provided a -8.3% return, underperforming the benchmark by 1.4%.

Brandes provided a -9.4% return for the year ended December 31, 2011, outperforming the benchmark by 0.6 percentage points. The four-year annualized return of -7.3% underperformed the benchmark by 0.4%.

Greystone
-14.5%
1-Year Return

Greystone
-8.3%
4-Year Return

Brandes
-9.4%
1-Year Return

Brandes
-7.3%
4-Year Return

MSCI EAFE + 7% MSCI Emerging Markets
-10.0%
1-Year Return

MSCI EAFE + 7% MSCI Emerging Markets
-6.9%
4-Year Return

Real Estate Manager

Greystone is the manager for the real estate portfolio. Real estate provided a return of 14.0% for the year ended December 31, 2011. This return underperformed the estimated Investment Property Databank benchmark by 1.9 percentage points. Greystone's four-year annualized return was 6.3%, which is 1.1 percentage points below the estimated benchmark return for the same period.

Greystone
14.0%
1-Year Return

Greystone
6.3%
4-Year Return

Investment Property Databank
15.9%
1-Year Return

Investment Property Databank
7.4%
4-Year Return

Bond Managers

In the last quarter of 2011, the Plan's fixed income portfolio was transitioned. Reporting for the new fixed income manager structure and policy benchmark will begin in 2012. The Plan's new bond managers are:

Wellington Management Company, LLP

PIMCO Canada Corp.

Canso Investment Counsel Ltd.

TD Asset Management Inc.

Wellington Management Company, LLP. Wellington actively manages a Canadian Core-Plus Long Bond product whose performance is measured against the DEX Long Term Bond Index plus 0.75% per annum.

PIMCO Canada Corp.
PIMCO actively manages a Canadian Core-Plus Bond product whose performance is measured against the DEX Universe Bond Total Return Index plus 0.75% per annum.

Canso Investment Counsel Ltd.
Canso actively manages a corporate bond product whose performance is measured against the DEX Universe Corporate Bond Total Return Index plus 0.25% per annum.

TD Asset Management Inc.
TDAM's mandate is to manage fixed income overlay, collateral, and short-term liquidity for the Plan. The Short Term and Overlay Bond mandate is to earn the return that approximate the return of the combination of the DEX Long Government Bond Index and the DEX 20+ Strip Bond Index. Effective October 2011, the target year duration is 14.8 years and the benchmark combination is 90%DEX Long Government Bond Index plus 10% DEX 10+ Strip Bond Index.

Currency Manager

Pareto **-0.2%** 1-Year Return	Pareto **0.7%** 4-Year Return
Benchmark* **1.6%** 1-Year Return	Benchmark **1.0%** 4-Year Return

Pareto is the Plan's currency manager. Their mandate is to actively manage currency risk to reduce the impacts of foreign currency exposures on the Plan. Pareto's performance is benchmarked against a passive 50% currency hedge.

For the year ended December 31, 2011, Pareto returned -0.2%, underperforming the benchmark by 1.8 percentage points.

Infrastructure Managers

The Plan is invested in two infrastructure funds; the Steel River Infrastructure Fund North America and the Global Infrastructure Partners Fund. The performance of both funds is compared to an absolute benchmark of 100% of the Canadian Consumer Price Index plus 5%. Both funds are nearing completion of the initial investing phase. At December 31, 2011, the Plan had contributed approximately 83% of its capital commitment. Until the capital commitment period concludes, returns are not reported. Consequently, a return for 2011 is unavailable.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan:

Administration of the Municipal Employees' Pension Plan is presently assigned to the Public Employees Benefits Agency of the Ministry of Finance. Management is responsible for financial administration, administration of funds and managing of assets.

The financial statements which follow have been prepared by management in conformity with Canadian generally accepted accounting principles. Management uses internal controls and exercises its best judgment in order that the financial statements fairly reflect the financial position of the Plan.

The Municipal Employees' Pension Commission reviews and approves the financial statements. In doing so, the Commission has had the opportunity to discuss the statements with management throughout the year.

The provision for annuity benefits and the accrued pension benefits are determined by an actuarial valuation. Actuarial valuation reports require best estimate assumptions about future events and require approval by management.

The financial statements have been audited by Deloitte & Touche LLP whose report follows.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

A. Mackrill
Ann Mackrill
Executive Director, Pension Programs
Public Employees Benefits Agency

Kara Marchand
Kara Marchand, CMA
Director, Corporate Services
Public Employees Benefits Agency

Regina, Saskatchewan
March 16, 2012

Actuaries' Opinion

Eckler Ltd. was retained by the Municipal Employees' Pension Commission (the Commission) to perform actuarial valuations of the provision for annuity benefits and accrued pension benefits of the Municipal Employees' Pension Plan (the Plan) on an accounting basis as at December 31, 2010. Eckler Ltd. was further retained to extrapolate the results of this valuation to December 31, 2011.

The valuations and extrapolation were based on:

- Membership data provided by the Commission as at December 31, 2010;
- Asset data provided by the Commission as at December 31, 2011;
- Methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements; and
- Assumptions about future events (economic and demographic) which were developed by management and Eckler Ltd. and are considered as management's best estimate of these events.

While the actuarial assumptions used to estimate liabilities for the Plan's financial statements contained in the Annual Report represent management's best estimate of future events, and while in our opinion these assumptions are not unreasonable, the Plan's future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations, and will affect the financial position of the Plan.

We have tested the data for reasonableness and consistency with prior valuations and in our opinion the data is sufficient and reliable for the purposes of the valuation and the extrapolation. We also believe that the methods employed in the valuation and extrapolation and the assumptions used are, in aggregate, appropriate. Our opinions have been given and our valuation and extrapolation have been performed in accordance with accepted actuarial practice in Canada.

Charly Pazdor

Charly Pazdor, FSA, FCIA
Eckler Ltd.

February 8, 2011

Municipal Employees' Pension Commission

Municipal Employees' Pension Plan

Financial Statements

Year ended December 31, 2011

Independent Auditor's Report

Deloitte.

To: The Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of the Municipal Employees' Pension Plan, which comprise the statements of financial position as at December 31, 2011 and December 31, 2010, and the statements of changes in net assets available for benefits and the statements of changes in pension obligations and provision for annuity obligations for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Municipal Employees' Pension Plan as at December 31, 2011 and December 31, 2010, and the changes in its net assets available for benefits and changes in its pension obligations and annuity obligations for the years then ended in accordance with Canadian accounting standards for pension plans.

Deloitte & Touche LLP

Chartered Accountants
March 16, 2012
Regina, Saskatchewan

Municipal Employees' Pension Plan
Statement of Financial Position

Statement 1

(in thousands)

	December 31, 2011			December 31, 2010	January 1, 2010 (Note 3h)
	Defined Benefit	Retirement Annuities	Total	Total	Total
ASSETS					
Investments (Note 4)					
Short term	$ 44,318	$ 736	$ 45,054	$ 32,548	$ 17,880
Bonds	436,098	7,221	443,319	244,312	230,419
Equities	371,761	6,157	377,918	408,882	366,044
Infrastructure	58,657	971	59,628	54,756	46,815
Pooled funds	447,521	7,410	454,931	644,257	577,002
Real estate	-	-	-	3,834	19,131
	1,358,355	22,495	1,380,850	1,388,589	1,257,291
Accounts receivable					
Employees' contributions	2,293	-	2,293	1,652	1,449
Employers' contributions	2,293	-	2,293	1,652	1,449
Accrued investment income	3,982	65	4,047	2,598	2,583
Other receivables	688	11	699	189	16,046
	9,256	76	9,332	6,091	21,527
Due from General Revenue Fund (Note 6)	3,855	63	3,918	4,016	3,586
Cash	992	17	1,009	545	2,555
Total assets	1,372,458	22,651	1,395,109	1,399,241	1,284,959
LIABILITIES					
Accounts payable	2,841	45	2,886	2,194	1,767
Provision for annuity obligations (Statement 3, Note 10)	-	25,292	25,292	25,586	27,308
Total liabilities	2,841	25,337	28,178	27,780	29,075
NET ASSETS AVAILABLE FOR BENEFITS (Statement 2)	1,369,617	(2,686)	1,366,931	1,371,461	1,255,884
Pension Obligations (Statement 3, Note 9)	1,599,687	-	1,599,687	1,353,314	1,204,766
(DEFICIT) SURPLUS	$(230,070)	$(2,686)	$(232,756)	$ 18,147	$ 51,118

(See accompanying notes to the financial statements)

Municipal Employees' Pension Plan **Statement 2**
Statement of Changes in Net Assets Available for Benefits

Year Ended December 31

(in thousands)

	2011			2010
	Defined Benefit	Retirement Annuities	Total	Total
INCREASE IN ASSETS				
Investment income				
Interest	$14,296	$876	$15,172	$18,854
Pooled funds	10,098	618	10,716	7,494
Dividends	12,046	737	12,783	11,209
Infrastructure	1,001	61	1,062	3,094
Real Estate	-	-	-	380
	37,441	2,292	39,733	41,031
Change in fair value of investments	(32,822)	(544)	(33,366)	94,763
Contributions				
Employee contributions	34,966	-	34,966	28,134
Employer contributions	34,904	-	34,904	27,987
Reciprocal transfers in	923	-	923	551
Arrears contributions and interest	149	-	149	55
Inter-fund transfer	(85)	85	-	-
Adjustment for prior year transfers	(465)	465	-	-
	70,392	550	70,942	56,727
Net decrease in provision for annuity benefits (Statement 3, Note 10)	-	294	294	1,722
Total increase in assets	75,011	2,592	77,603	194,243
DECREASE IN ASSETS				
Transfers and refunds (Note 8)	16,614	-	16,614	17,604
Benefit payments (Note 8)	7,031	-	7,031	6,667
Pension obligation payments	44,925	-	44,925	41,959
Annuities	-	3,536	3,536	3,700
Investment transaction costs	303	6	309	279
Administrative expenses (Note 12)	9,560	158	9,718	8,457
Total decrease in assets	78,433	3,700	82,133	78,666
(DECREASE) INCREASE IN NET ASSETS	(3,422)	(1,108)	(4,530)	115,577
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	1,373,039	(1,578)	1,371,461	1,255,884
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$1,369,617	$(2,686)	$1,366,931	$1,371,461

(See accompanying notes to the financial statements)

Municipal Employees' Pension Plan
Statement of Changes in Pension Obligations and Provision For Annuity Obligations

Statement 3

Year Ended December 31

	(in thousands) 2011	2010
PENSION OBLIGATIONS, BEGINNING OF YEAR	$1,353,314	$1,204,766
Increase in pension obligations		
Interest on pension obligations	77,953	72,335
Pension obligations accrued	72,529	67,370
Transfers-in	923	551
Experience loss	-	4,147
Change in assumptions	169,461	70,439
	320,866	214,842
Decrease in pension obligations		
Transfers, refunds and defined pension obligations paid	68,570	66,230
Experience gain	5,838	-
Transfer to provision for annuities	85	64
	74,493	66,294
PENSION OBLIGATIONS, END OF YEAR (Note 9)	$1,599,687	$1,353,314

	2011	2010
PROVISION FOR ANNUITY OBLIGATIONS, BEGINNING OF YEAR	$25,586	$27,308
Increase in provision for annuity obligations		
Interest on annuity obligations	1,372	1,529
New annuities purchased	85	64
Change in assumptions	1,105	408
Experience loss	680	-
	3,242	2,001
Decrease in provision for annuity obligations		
Annuities paid	3,536	3,700
Experience gain	-	23
	3,536	3,723
PROVISION FOR ANNUITY OBLIGATIONS, END OF YEAR (Note 10)	$25,292	$25,586

(See accompanying notes to the financial statements)

Municipal Employees' Pension Plan
Notes to the Financial Statements

December 31, 2011

1. Description of the Municipal Employees' Pension Plan

General

The Municipal Employees' Pension Plan (the "Plan") which is domiciled in Regina, Saskatchewan, is comprised of three components: defined benefit, defined contribution benefit and retirement annuities. The following description of the Plan is a summary only. For more complete information, reference should be made to *The Municipal Employees' Pension Act*.

The Municipal Employees' Pension Act (the "Act") provides authority for the Plan. The Act directs that all allowances, payments and refunds under the Act shall be payable out of the Plan in the manner provided in the Act together with all benefits granted under a former Act. The Municipal Employees' Pension Commission (the "Commission") is responsible for holding in trust and investing the monies of the Plan. The Commission's composition and authority to administer the Plan are provided in Section 7 of the Act.

The Plan is registered under *The Pension Benefits Act, 1992* and is required to provide valuations every three years as to whether the Plan has sufficient assets to meet its pension obligations on an on-going basis as well as on a hypothetical wind-up basis. These valuations are filed with the Superintendent of Pensions (the "Superintendent"). If the Plan has insufficient assets, the Act outlines the steps to address the shortfall of assets. The Commission filed its December 31, 2010 valuations with the Superintendent. The fund is required to obtain the next actuarial valuation as at December 31, 2013.

Defined Benefit Component

The Defined Benefit Component became effective July 1, 1973. This Defined Benefit Component is mandatory for permanent employees and optional for some non-permanent employees.

A. Funding

Employee contributions are 7.4% of salary for general members and 10.2% for police officers and firefighters. Effective January 1, 2013, these rates will increase to 8.15% and 11.35% respectively. Employee contributions are matched by the employer. There are some employee contributions that are not matched by employers, these contributions consist of transfers from other plans and purchase of prior services.

B. Pensions

Employees receive a pension at age 65 for general members and at age 60 for police officers and firefighters, for each year and fractional year of contributory service in the Plan prior to retirement that is determined as:

For service earned before 1990 and service earned after 2000 but before 2006, the number of years of contributory service during these periods times the greater of:

a) 1.8% times the average salary for the highest three annualized years of the member's total pensionable service in the Plan (2% for police officers and firefighters); or

b) i) 1.3% of that portion of the member's average salary not exceeding the average yearly maximum pensionable earnings under the Canada Pension Plan; and

ii) 2% of that portion of the member's average salary exceeding the average yearly maximum pensionable earnings under the Canada Pension Plan.

For all other service, the number of years of contributory service for the period times the greater of:

a) 1.5% times the average salary for the highest three annualized years of the member's total pensionable service in the Plan (1.7% for police officers and firefighters); or

b) i) 1.3% of that portion of the member's average salary not exceeding the average yearly maximum pensionable earnings under the Canada Pension Plan; and

ii) 2% of that portion of the member's average salary exceeding the average yearly maximum pensionable earnings under the Canada Pension Plan.

Members who commenced employment on or after January 1, 1993:

For service earned after 2000 but before 2006, the number of years of contributory service during this period times 1.8% times the average salary for the highest three annualized years of the member's total pensionable service in the Plan (2% for police officers and firefighters).

For all other service, the number of years of contributory service for the period times 1.5% times the average salary for the highest three annualized years of the member's total pensionable service in the Plan (1.7% for police officers and firefighters).

C. Retirement

Normal retirement is at age 65 for general members and age 60 for police officers and firefighters. Members may retire earlier under certain conditions.

The Plan also provides benefits in the event of termination of employment, death or disability.

D. Surplus

Any surpluses arising in the Plan can be utilized at the discretion of the Commission.

E. Transfers

Subject to lock in provisions of the Plan, transfer of a member's commuted value is payable when a member ceases to be employed.

As the December 31, 2010 actuarial valuation stated a solvency ratio of 95.3%, commuted value transfers out of the Plan are limited to 95.3%. Payment of the remaining transfer deficiency shall occur over the following five-year period.

Defined Contribution Component

The Defined Contribution Component consists of members who made contributions to the Defined Contribution Component in effect prior to July 1, 1973. Members may retire and purchase an annuity at age 65. Members may retire earlier under certain conditions. Upon retirement a member can purchase an annuity from either the Plan or a private insurer based on employee and employer contributions together with the interest thereon. In the event of death prior to retirement, the

member's spouse may receive a life annuity or elect to receive a lump sum payment of employee and employer contributions plus interest. If the member's beneficiary is other than the spouse, a lump sum payment of employee and employer contributions plus interest is made.

The liability associated with the Defined Contribution Component is included in pension obligations and totals $37 thousand.

Retirement Annuities Component

If a member elects to purchase an annuity through the Commission, an annuity contract is issued based on the member's balance, current interest rates and annuity tables.

The present value of these annuities is reflected as a liability of the Plan.

Supplementary Benefits

In accordance with the Act, the Commission may grant supplementary benefits to those members receiving pensions and annuities to compensate them for lost purchasing power. The Commission may grant the supplementary benefits as long as the solvency of the entire Plan is not impaired.

Income Taxes

The Plan is a registered pension plan, as defined by the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes.

2. Basis of Preparation

a. Statement of Compliance

The financial statements for the year ended December 31, 2011 have been prepared in accordance with Canadian accounting standards for pension plans as defined in the Canadian Institute of Chartered Accountants (CICA) Handbook section 4600, *Pension Plans*. For matters not addressed in Section 4600, International Financial Reporting Standards (IFRSs) have been followed.

The plan was previously prepared in accordance with CICA Handbook section 4100 and while there are differences between these sections, there were no differences that affected the financial position of the Plan.

b. Functional and Presentation Currency

These financial statements are presented in Canadian Dollars, which is the Plan's functional currency, and are rounded to the nearest thousand unless otherwise noted.

3. Significant Accounting Policies

The significant accounting policies are as follows:

a. Basis of Presentation

The Plan has disclosed financial results for its Defined Benefit and Retirement Annuities components separately. The Plan maintains a single investment portfolio and assets were allocated to the retirement annuities component at January 1, 2002 based upon the provision for annuity obligations as at that date. Investment income is split so that it matches the rate of

return and operating expenses and the change in fair value have been allocated relative to the assets. These financial statements were authorized and issued by the Commission on March 16, 2012.

b. Investments

Investments are classified as held-for-trading and are stated at fair value. The change in the fair value of investments at the beginning and end of each year is reflected in the statement of changes in net assets available for benefits.

Fair value of investments is determined as follows:

Short term investments are valued at cost which, together with accrued investment income, approximates fair value given the short term nature of these investments.
Bonds and equities are valued at year-end quoted bid prices from recognized security dealers and accredited stock exchanges on which the security is principally traded.

Infrastructure investments are valued at market values supplied by the infrastructure investment manager. These market values are based on a year-end valuation of the underlying investments performed by the infrastructure investment manager.

Pooled fund investments are valued at the year-end unit value supplied by the pooled fund administrator, which represent the underlying net assets of the pooled fund at fair values determined using closing bid prices.

Real estate is valued using market values from independent appraisals. The frequency of real estate appraisals occurs at least annually.

Investments in derivative financial instruments, including futures, repurchase agreements, forwards and option contracts, are valued at year end quoted market prices where available. Where quoted market prices are not available, values are determined using pricing models, which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the position.

Investment transactions are recorded on the trade date.

c. Other Assets and Financial Liabilities

Accounts receivable are classified as loans and receivables and accounts payable are classified as other financial liabilities and are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

d. Investment Income and Transaction Costs

Investment income, which is recorded on the accrual basis, includes interest income, dividends and real estate operating income.

Brokers' commissions and other transaction costs are recognized in the statement of changes in net assets available for benefits in the period incurred.

e. Foreign Currency Translation

The fair values of foreign currency denominated investments included in the statement of net assets available for benefits are translated into Canadian dollars at year end rates of exchange. Gains and losses from translations are included in the net unrealized change in fair value of investments.

Foreign currency-denomination transactions are translated into Canadian dollars at the rates of exchange on the trade dates of the related transactions. Realized gains and losses on the sale of investments are included in the change in fair value of investments.

f. Provision for Annuity Obligations

Provision for annuity obligations represents the present value of the retirement annuities underwritten by the Plan and is determined pursuant to an actuarial valuation or extrapolation. Any change in the liability pursuant to the valuation or extrapolation is recognized as an increase or decrease in that year's statement of changes in pension obligations and provision for annuity obligations.

g. Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of investments, the provision for annuity obligations and pension obligations. Actual results could differ from these estimates.

h. Adoption of new Accounting Standards

Effective January 1, 2011, the financial statements have been prepared in accordance with Canadian accounting standards for pension plans as outlined in the CICA Handbook, section 4600, Pension Plans. These standards were required to be adopted with retrospective restatement. The transition to the new standards did not require any changes to the prior year figures or the plan's accounting policies. The opening statement of financial position in accordance with section 4600 as of January 1, 2010 has been disclosed for comparative purposes.

i. Future Accounting Changes

A number of new standards, amendments to standards and interpretations which become effective for annual periods beginning on or after January 1, 2013 and which may have an impact on the Plan, include: IFRS 9, Financial Instruments; IFRS 12, Disclosure of Interests in Other Entities; and IFRS 13, Fair Value Measurement. The extent of the impact on adoption of these standards is not known at this time, but is not expected to be material.

4. Investments

Details of significant terms and conditions, exposure to interest rate and credit risks of investments are as follows:

Short Term Investments

These investments are comprised of treasury bills, notes, commercial paper and a short-term investment fund. Short-term investments held as of December 31, 2011 had effective interest rates of 0.8% to 1.9% (2010 - 0.9% to 1.9 %) and an average term to maturity of 51 days (2010 – 69 days). The Plan's investment policy states that investments must meet a minimum investment standard of "A2/P2" or equivalent rating as rated by a recognized bond rating service. Other than

the Government of Canada, no single issuer represents more than 17.69% (2010 – 16.67%) of the total Plan's short-term investments.

Bonds

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized bond rating service unless otherwise permitted within a specific investment manager mandate. In addition, not more than 10% of its total bond market value may be invested in lower than BBB rated bonds. In 2011 there were no bonds lower than BBB.

The market value, coupon rates and effective interest rate to maturity are shown in the following chart by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

2011 (in thousands)

Years to Maturity	Federal	Provincial	Municipal	Corporate	Total Market Value	Coupon Rate	Effective Interest Rate
Under 5	$ -	$ -	$ -	$ 79,674	$79,674	1.78% - 8.00%	5.19%
5 to 10	-	-	-	32,817	32,817	2.65% - 11.04%	1.24%
Over 10	81,707	165,684	3,017	80,420	330,828	0.00% - 9.63%	1.30%
Market Value	$81,707	$165,684	$ 3,017	$192,911	$443,319		

2010 (in thousands)

Years to Maturity	Federal	Provincial	Municipal	Corporate	Total Market Value	Coupon Rate	Effective Interest Rate
Under 5	$53,781	$ -	$ -	$ 32,271	$86,052	1.39% - 6.75%	3.59%
5 to 10	10,119	25,386	9,391	45,253	90,149	0.29% - 11.00%	4.61%
Over 10	17,597	24,838	1,133	24,543	68,111	3.25% - 8.75%	4.76%
Market Value	$81,497	$50,224	$10,524	$102,067	$244,312		

January 1, 2010 (in thousands)

Years to Maturity	Federal	Provincial	Municipal	Corporate	Total Market Value	Coupon Rate	Effective Interest Rate
Under 5	$38,332	$ 4,158	$ -	$ 49,254	$91,744	0.8% - 6.75%	4.10%
5 to 10	9,295	12,339	8,053	25,447	55,134	0.48% - 6.02%	4.14%
Over 10	12,608	37,320	1,049	32,564	83,541	3.75% - 11.00%	5.27%
Market Value	$60,235	$53,817	$9,102	$107,265	$230,419		

Equities

The Plan's investment policy allows no one holding to represent more than 10% of the market value of the related portfolio and no one holding to represent more than 10% of the common stock in any corporation.

The investment policy allows between 26% and 47% of the Plan to be invested in foreign equities, including those held in pooled funds. As at December 31, 2011 the Plan held 8.51% (2010 – 7.55%) of the Plan's total investments in segregated foreign equities and 26.26% (2010 – 28.03%) of the Plan's total investments in pooled foreign equity funds. Foreign equities are comprised of 61.81% (2010 – 50.83%) in U.S. equities and 38.19% (2010 – 49.17%) in Non-North American equities.

All foreign equities are reported in Canadian dollars.

The Plan's equities have no fixed maturity date and are not exposed directly to interest rate risk. Dividends are generally declared on a quarterly basis. The average effective dividend rate is 3.25% (2010 – 2.89%).

Infrastructure Investments

Infrastructure investments are made through limited partnership arrangements. Advances are made to the limited partnerships, some of which are used to select and provide management support to the invested companies. The investments represent ownership in entities that invest in infrastructure assets.

The Plan's infrastructure investments consist of the following:

	(in thousands)		
	2011	**2010**	**January 1, 2010**
SteelRiver	$ 25,682	$ 24,402	$ 20,914
Global Infrastructure Partners	33,946	30,354	25,901
	$ 59,628	$ 54,756	$ 46,815

The Plan's investment policy limits infrastructure investments to a maximum of 8% of the Plan's assets. As of December 31, 2011 the Plan's infrastructure investments were 4.32% (2010 – 3.91%) of the Plan assets.

SteelRiver is a limited partnership formed to invest in North American infrastructure projects. As at December 31, 2011 the Plan was committed to a further investment in this limited partnership of up to $12.9 million in U.S. funds.

Global Infrastructure Partners is a limited partnership formed to invest in worldwide infrastructure projects. As at December 31, 2011 the Plan was committed to a further investment in this limited partnership of up to $8.1 million in U.S. funds.

Infrastructure managers utilize an internal valuation policy to establish a market value for the underlying assets within their portfolios. This policy outlines that any marketable assets within the portfolio will be valued at the price on the securities exchange. Non-marketable securities will be subject to professional judgment and may take into account several factors such as:

- Market conditions
- Purchase price
- Estimate liquidation value
- Third-party transactions in the private market
- Present value of expected future cash flows
- Present value of anticipated sale or flotation when asset is soon to be divested

The above factors involve various assumptions. Changes in the underlying assumptions will have an impact on the market value of the investments.

Pooled Funds

The Plan's investment policy limits pooled fund holdings to not more than 10% of the market value of the individual pooled fund. Exceptions to the 10% limit are allowed if provision has been made to transfer securities in kind when units of the pooled fund are sold.

The Plan's pooled funds are comprised of:

Pooled Fund	Units Held (in thousands)			% of Total Units Outstanding			Market Value (in thousands)		
	2011	2010	January 1, 2010	2011	2010	January 1, 2010	2011	2010	January 1, 2010
U.S. Equity									
BlackRock CDN US Equity Index Hedged Non-Taxable Fund	13,859	13,864	14,654	19.56%	18.26%	10.66%	$148,992	$146,565	$135,709
Global Equity									
Greystone EAFE Plus Fund	-	15,420	12,774	-	7.01%	6.73%	-	118,428	97,273
Greystone EAFE (Hansberger)	6,602	-	-	3.72%	-	-	51,465	-	-
Brandes Canada International Equity Unit Trust	11,763	11,242	10,120	23.18%	18.38%	15.70%	113,364	124,977	117,127
TD Emerald EAFE	5,195	-	-	2.78%	-	-	50,764	-	-
Fixed Income Funds									
BlackRock Canada Universe Bond Index Class A Fund	-	7,214	7,368	-	3.79%	3.90%	-	174,720	167,124
Real Estate									
Greystone Real Estate Fund	1,116	1,116	910	3.00%	3.26%	4.32%	90,346	79,567	59,769
							$454,931	$644,257	$577,002

Pooled fund investments are governed by the policies for each fund. Financial derivatives are permitted within the pooled funds as outlined below:

BlackRock funds may contain equity index futures, to replicate the return of the S&P 500 Composite Index, and currency contracts used to hedge U.S. dollar exposure back to the Canadian dollar.

Greystone is authorized to employ derivatives to protect against losses from changes in exchange rates, interest rates and market indices. These derivatives may include such instruments as options, futures, and forward contracts.

Brandes may employ the use of foreign exchange contracts to hedge against changes in exchange rates and American depositary receipts to substitute for direct investment in the underlying security.

Investments in real estate consist of Canadian commercial property held directly by the Greystone Real Estate Fund. The market appraisals used in valuing the real estate involves various assumptions. Changes in the underlying assumptions will have an impact on the market value of the investments.

Fair Value

The Plan has classified its investments using a hierarchy that reflects the significance of the inputs used in determining their fair value.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments values using inputs that are not based on observable market data are classified as Level 3.

The following table classifies the Plan's required financial instruments within a fair value hierarchy:

2011
(in thousands)

	Level 1	Level 2	Level 3	Total
Bonds	$ -	$443,319	$ -	$ 443,319
Pooled funds	-	364,585	90,346	454,931
Short-term	45,054	-	-	45,054
Equities	377,918	-	-	377,918
Infrastructure	-	-	59,628	59,628
Total	$422,972	$807,904	$149,974	1,380,850

Fair Value measurements using level 3 inputs

	SteelRiver	Global Infrastructure Partners	Real Estate	Total
Balance at December 31, 2010	$24,402	$30,354	$83,401	$138,157
Net purchases and sales	1,417	(2,332)	(4,272)	(5,187)
Gains (losses)				
Realized	(130)	(142)	1,787	1,515
Unrealized	(7)	6,066	9,430	15,489
Balance at December 31, 2011	$25,682	$33,946	$90,346	$149,974

2010
(in thousands)

	Level 1	Level 2	Level 3	Total
Bonds	$ -	$244,312	$ -	$ 244,312
Pooled funds	389,970	174,720	79,567	644,257
Short-term	32,548	-	-	32,548
Real estate	-	-	3,834	3,834
Equities	408,882	-	-	408,882
Infrastructure	-	-	54,756	54,756
Total	$831,400	$419,032	$138,157	$1,388,589

Fair Value measurements using level 3 inputs

	SteelRiver	Global Infrastructure Partners	Real Estate	Total
Balance at January 1, 2010	$20,914	$25,901	$78,900	$125,715
Net Purchases and sales	2,796	2,483	(1,712)	3,567
Gains (losses)				
Realized	(503)	(27)	8,388	7,858
Unrealized	1,195	1,997	(2,175)	1,017
Balance at December 31, 2010	$24,402	$30,354	$83,401	$138,157

5. Derivatives

Derivative financial instruments are financial contracts whose values are derived from changes in underlying assets, interest or currency exchange rates. The Plan objective is to achieve an overall Plan duration that approximates the duration of the Plan liabilities on a going-concern basis.

At December 31, 2011 the Plan held the following derivatives:

Future / Forward Contracts

The Plan has entered into foreign exchange forward contracts to hedge some of its foreign currency exposure in foreign equity pooled funds. Foreign exchange forward contracts are obligations in which two counterparties agree to exchange one currency for another at a specified price for settlement on a predetermined date in the future.

The Plan uses a currency risk management program to manage the currency exposures inherent in the foreign equity pooled funds of the Plan, as well as provide protection of the Canadian value of the portfolio. Forward contracts are used to hedge the foreign currency exposure within the TD Emerald EAFE Fund and the Brandes Canada International Equity Unit Trust. The following summarizes the Plan's use of foreign currency forward exchange contracts within the currency risk management program:

FOREIGN EXCHANGE FORWARD CURRENCY CONTRACTS

(in thousands)

	2011			2010		
Currency	Notional Value*	Gain (Loss)	Net Exposure	Notional Value*	Gain (Loss)	Net Exposure
Euro	(51,222)	2,531	35.7%	(66,355)	2,757	37.2%
Hong Kong Dollar	(2,832)	32	50.4%	(3,803)	97	48.9%
Japanese Yen	(26,585)	(284)	47.9%	(28,622)	216	44.9%
Pound Sterling	(27,221)	450	44.7%	(26,272)	764	42.2%
Swiss Franc	(9,658)	339	37.5%	(5,249)	(316)	63.1%
		3,068			3,518	

Net exposure of the TD Emerald EAFE Fund and Brandes Canada International Equity Trust Unit is the percentage of investments denominated in foreign currency that are not hedged through forward exchange contracts.

The hedge strategy involves protecting against the foreign equity exposures that exist in the underlying portfolio of Non-North American equity mandates. The Active Foreign Currency Manager's benchmark hedge ratio is 50% of the underlying portfolio, although the manager has the discretion to apply a hedge ratio between 0-100% of the underlying portfolio. Hedging is limited to those foreign currency exposures that are included in the MCSI EAFE Index and excludes any Canadian Dollar exposures.

Based on the current rate of exchange as of December 31, 2011, the forward contracts are in a net gain position of $3.1 million (2010 – gain of $3.5 million). The foreign currency forward exchange contracts are short-term in duration and all current contracts as of December 31, 2011 have a maturity date of less than one year. This amount is included in short term investments on the Statement of Net Assets Available for Benefits.

During the year management also sought increased returns and added value to the Plan by generating returns from relative movements between foreign currencies. These value added contracts are not used for hedging purposes by the Plan and are in a net gain position of $259 thousand (2010 – net loss position of $974 thousand). The contracts are short-term in duration and have a maturity date of less than one year. This amount is included in short term investments on the Statement of Net Assets Available for Benefits. The value added contracts the Plan has entered into are as follows:

FOREIGN EXCHANGE FORWARD VALUE ADDED CONTRACTS

(in thousands)

	2011		2010	
Currency Base/Local	Notional Value*	Gain (Loss)	Notional Value*	Gain (Loss)
Canadian/Euro	(7,168)	245	-	-
Canadian/Pound Sterling	(2,185)	13	-	-
Canadian/United States	(9,054)	1	-	-
Euro/United States	-	-	(5,987)	(669)
Euro/Japanese Yen	-	-	(183)	(245)
Australian/United States	-	-	(2,567)	63
United States/Japanese Yen	-	-	(1,666)	(123)
	(18,407)	259	(10,403)	(974)

*Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows, and is therefore not recorded on the financial statements.

Repurchase Agreements

A repurchase agreement, also known as a repo, is a contract entered into between two counterparties to sell securities together with an agreement for the seller to buy back the securities at a later date. At December 31, 2011, the Plan has entered into repurchase agreements with a notional value of $77 million (2010 - $0) and a fair value of $1.7 million (2010 - $0). This amount is included in bond investments on the Statement of Net Assets Available for Benefits. The repurchase agreements have a term to maturity of less than one year. The amount pledged for collateral is $70 million.

Interest Rate Swaps

An interest rate swap is an agreement in which two parties agree to exchange interest rate cash flows, based on a specified notional amount from a fixed interest rate to a variable interest rate. At December 31, 2011, the Plan held an interest rate swap with a notional value of $59 million (2010 - $0) and a loss in fair value of $15 thousand (2010 - $0). This amount is included in bond investments on the Statement of Net Assets Available for Benefits. The interest rate swap has a term to maturity of less than one year.

6. Due from General Revenue Fund

The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

Earned interest is calculated and paid by the General Revenue Fund on a quarterly basis using the Government's thirty day borrowing rate and the Plan's average daily bank account balance. The Government's thirty-day borrowing rate for 2011 was 1.05% (2010 - 0.6%).

7. Earnings Allocation to Members

Interest is allocated annually to the individual member's account balances in accordance with the provisions of the governing legislation. In 2011 an interest rate of (0.51%) (2010 – 9.08%) was calculated and applied to the Defined Contribution Component and the Defined Benefit Component. The interest allocated is investment income and the current year's allocation of the change in fair value of the investments, less administration, custodian and investment managers' fees.

8. Transfers and Refunds

	(in thousands)	
	2011	**2010**
Transfers to other retirement plans	$ 810	$ 818
Transfer to other retirement vehicles	13,299	13,408
Withdrawals with interest	2,505	3,378
	$16,614	$17,604

Benefit Payments

	(in thousands)	
	2011	**2010**
Lump sum payments to estates	$ 2,729	$ 1,864
Payments in lieu of annuities	4,302	4,803
	$ 7,031	$ 6,667

9. Pension Obligations

The actuarial present value of pension obligations for the Defined Benefit Component of the Plan was determined using the projected benefit method prorated on service and management's best estimate assumptions of future investment performance, salary escalation, inflation, and future pension indexing.

An actuarial valuation for management purposes was performed as at December 31, 2010 by Eckler Ltd. and they have extrapolated the results of that valuation to December 31, 2011 with interest, estimated service accruals and actual obligation payments for the purposes of these financial statements. Actuarial valuations for management purposes are performed annually.

An actuarial valuation for filing purposes was performed as at December 31, 2010 by Eckler Ltd. and filed with the regulatory authorities. On the basis of that valuation, application was made for, and temporary solvency deficiency payment relief was granted under the *Pension Benefits Act, 1992*. That valuation included the effect of a recommended contribution increase assumed to be effective January 1, 2013. The next valuation to be filed will be required effective December 31, 2013.

The effect of the recommended contribution increase assumed to be effective January 1, 2013 in the valuation for filing purposes is not reflected in the statement of changes in accrued pension obligations and provision for annuity obligations.

The pension liability is based on a number of assumptions about future events including interest rates, rate of salary increases, inflation, mortality, retirement rates and termination rates. The major assumptions used in determining the actuarial present value of pension obligations for the Defined Benefit Component of the Plan are:

	2011	2010	January 1, 2010
Interest Rate	5.00%	5.75%	6.0%
Salary escalation to Dec 12	4.5%	4.5%	4.5%
Salary escalation thereafter	3.5%	3.5%	3.5%
Inflation	2.5%	2.5%	2.5%
Indexation of pensions	none assumed	none assumed	none assumed
Mortality	UP 94 (projected generationally)	UP 94 (projected generationally)	UP94 (Projected to 2015)

Actual rates may vary significantly from the long-term assumptions used. The following illustrates the effect of changing certain assumptions from the assumed rates of salary of 4.5% initially, (3.5% thereafter), interest rate of 5.00%, indexing on pre-1999 benefits of 0%, and indexing on post-1998 benefits of 0%. The changes in assumptions are independent of one another.

	Effect on Pension Obligation Liability					
	Salary		Interest Rate		Pension Indexing (pre 1999)	Pension Indexing (post 1998)
Assumptions	3.5% 2.5%	5.5% 4.5%	4.00%	6.00%	1.00%	1.00%
(Decrease) Increase	(3.7%)	4.2%	16.3%	(12.9%)	4.7%	5.9%

Because the Plan has a solvency deficiency, there is a requirement for a solvency deficiency holdback to be withheld from payouts of commuted value for a period of five years. Solvency deficiency holdbacks owing as of December 31, 2011 total $48 thousand (2010 - $0).

10. Provision for Annuity Obligations

The actuarial present value of the provision for annuity obligations was determined using management's best estimate of future investment performance and future pension indexing. Eckler Ltd. performed an actuarial valuation for management purposes as at December 31, 2010 and extrapolated the results of that valuation to December 31, 2011 with interest, estimated service accruals and actual benefit payments. Actuarial valuations for management purposes are performed annually.

An actuarial valuation for filing purposes was performed as at December 31, 2010 by Eckler Ltd. and filed with the regulatory authorities. On the basis of that valuation, application was made and

granted for temporary solvency deficiency payment relief under the *Pension Benefits Act, 1992*. The next valuation to be filed will be required effective December 31, 2013.

The actuarial valuation was based on a number of assumptions about future events including interest rates, pension indexing (for members who elected indexed annuities) and mortality as follows:

	2011	2010	January 1, 2010
Interest Rate	5.00%	5.75%	6.0%
Indexation of Pensions	2.5%	2.5%	2.5%
Mortality	UP94 (projected generationally)	UP94 (projected generationally)	UP94 (projected to 2015)

The actual rates may vary significantly from the assumptions used. The following illustrates the effect of changing certain assumptions from the assumed interest rate of 5.00% and pension indexing of 2.5%. The changes in assumptions are independent of one another.

	Effect on Provision for Annuity Obligations			
	Interest Rate		Pension Indexing	
Assumptions	4.00%	6.00%	1.5%	3.5%
(Decrease) Increase	6.6%	(5.9%)	(0.4%)	0.4%

In the future, increases on non-indexed annuities will be granted to the extent that investment earnings exceed a threshold and to the extent that the assets will support it. As there is currently no surplus available, the liabilities for non-indexed annuities do not reflect any future indexing.

The cash outflow to pay the required annuity obligation is calculated using the above assumptions. The cash outflows in the next 5 years would be $14.7 million, in the next 10 years $24.5 million and in the next 30 years $35.8 million.

11. Financial Risk Management

The nature of the Plan's operations result in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Plan's investments. These financial risks are managed by having an investment policy, which is approved annually by the Commission. The investment policy provides guidelines to the Plan's investment managers for the asset mix of the portfolio regarding quality and quantity. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. Derivatives are allowed within the Plan to hedge against losses and substitute for direct investment. The Commission reviews regular compliance reports from its investment managers and custodian as to their compliance with the investment policy. The Commission also receives regular compliance reports from the Public Employees Benefits Agency on its custodian as to the investment managers' compliance with the investment policy.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from two distinct sources: accounts receivable and certain investments. The maximum credit risk to which it is exposed at December 31, 2011 is limited to the carrying value of the financial assets summarized as follows:

	(in thousands)		
	2011	**2010**	**January 1, 2010**
Cash	$ 1,009	$ 545	$ 2,555
Accounts receivable	9,332	6,091	21,635
Fixed income investments[1]	488,450	451,580	415,424
Due from the General Revenue Fund	3,918	4,016	3,586

[1] Includes short-term investments, bonds, bond repurchase agreements and the fixed income pooled fund.

Accounts receivable are made up of employee and employer contributions receivable, accrued investment income, and accrued receivable for committed sale of an investment. Employee and employer contributions receivable are generally received in less than 30 days. Accrued investment income is received on the next scheduled payment date, generally either annually or semi-annually. Proceeds from the sale of an investment will normally be received 3 days after the trade date.

Credit risk within investments is primarily related to short-term investments, bonds, and the fixed income pooled fund. It is managed through the investment policy that limits fixed term investments to those of high credit quality (minimum rating for bonds, BBB unless otherwise permitted within specific investment manager mandate, and for short-term investments is A2/P2) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Credit rating for bonds are as follows:

(in thousands)

	2011		**2010**		**January 1, 2010**	
Credit Rating	Fair Value	Makeup of Portfolio (%)	Fair Value	Makeup of Portfolio (%)	Fair Value	Makeup of Portfolio (%)
AAA	$122,740	27.69	$ 95,927	39.27	$ 88,943	38.60
AA	131,663	29.70	78,966	32.32	71,445	31.00
A	123,430	27.84	55,385	22.67	57,504	24.96
BBB	65,486	14.77	14,034	5.74	12,527	5.44
Total	$443,319	100.0	$244,312	100.0	$ 230,419	100.0

Within bond investments, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 2.76% of the market value of the combined bond and short term investment portfolios. No one holding of a province is over 18.69% of the market value of the bond portfolio.

The Plan is also subject to credit risk through its use of derivative contracts. The contracts are entered into between the Plan and approved counterparties. The credit risk is mitigated by limiting counterparties to specific entities.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk

The Plan is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds and the fixed income pooled fund. Duration is a measure used to estimate the extent market values of fixed income instruments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase in interest rates would decrease net assets available for benefits and surplus by $48.1 million at December 31, 2011($26.7 million – 2010); representing 9.8% of the $488 million fair value of fixed income investments. Conversely, a decrease in interest rates of 100 basis points would increase net assets available for benefits and surplus by $48.1 million at December 31, 2011($26.7 million – 2010); representing 9.8% of the $488 million fair value of fixed income investments

Foreign exchange

The Plan is exposed to changes in the U.S./Canadian dollar exchange rate through its U.S. denominated investments. Also, the Plan is exposed to EAFE (Europe, Australasia and Far East) currencies through its investment in global equity pooled funds. Exposure to both U.S. equities and non-North American equities, including the pooled equity funds, is limited to a maximum 47% each of the market value of the total investment portfolio. At December 31, 2011, the Plan's exposure to U.S. equities was 19.2% (2010 – 18.1%) and its exposure to non-north American equities was 15.6% (2010 – 17.5%).

At December 31, 2011, a 10% appreciation in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $11.6 million decrease in the increase in net assets available for benefits. A 10% weakening in the Canadian dollar versus the EAFE currencies would result in approximately a $11.6 million increase in the increase in net assets available for benefits.

The Plan's exposure to exchange rate risk resulting from the purchase of goods and services is not considered material to the operations of the Plan. The Plan has mitigated its exposure to foreign exchange through the use of derivatives as in Note 5. As at December 31, 2011, the Plan's exposure net of derivatives is $511 million. A 10% change in the exchange rate would equate to a net change of $26.2 million.

Equity prices

The Plan is exposed to changes in equity prices in Canadian, U.S. and EAFE markets. Equities comprise 53.6% (2010 – 57.4%) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee represents greater than 10% of the market value of the Plan. As well, no one holding represents more than 30% of the outstanding share issue of any corporation.

The following table indicates the approximate change that could be anticipated to both the increase in net assets available for benefits based on changes in the Plan's benchmark indices at December 31, 2011:

	(in thousands) 10% increase	(in thousands) 10% decrease
S&P/TSX Composite Index	$ 26,059	$ (26,059)
S&P 500 Index	26,463	(26,463)
MSCI EAFE Index	21,567	(21,567)

Securities lending

At December 31, 2011, no Plan assets have been deposited or pledged as collateral as part of the securities lending strategy. As part of the Plan's securities lending strategy, collateral has been

pledged to the Plan by various counterparties for securities out on loan to the counterparties. At December 31, 2011, the total amount of collateral pledged to the Plan amounted to $178 million (2010 – $150 million). Security lending obtains collateral of at least 105% of the market value of the securities lent. Such loans must be secured by readily marketable government bonds, treasury bills and /or letters of credit, discount notes and banker's acceptances of Canadian chartered banks.

Real Estate and Infrastructure Investment Risk

Risk in the real estate portfolio and infrastructure investments are managed through diversification across types and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across property type, geographic location and investment size.

Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. Accounts payable are due within one year.

12. Administrative Expenses

The annual operating expenditures associated with the Plan's administration are paid to the Public Employees Benefits Agency Revolving Fund except for custodial fees and investment management fees, which are paid directly.

(in thousands)

	2011 Budget (unaudited)	2011 Actual	2010 Budget (unaudited)	2010 Actual
Audit fees	$ 50	$ 86	$ 41	$ 0
Actuarial fees	126	217	120	127
Administration costs	4,653	4,619	4,444	3,921
Custodial fees	181	141	192	155
Investment fees	4,545	4,655	4,337	4,254
	$9,555	$9,718	$9,134	$8,457

13. Related Party Transactions

All Government of Saskatchewan agencies such as ministries, corporations, boards and commissions are related to the Plan by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan are collectively referred to as "related parties". Costs charged by the Public Employees Benefits Agency Revolving Fund in administering the Plan are reflected in these financial statements.

The Plan holds $3.2 million (2010 - $7.2 million) in Province of Saskatchewan Bonds. Investment gain on these bonds, including the current period change in the market value of investments, was $0.2 million (2010 – $0.7 million).

The Plan has an accounts payable balance as at December 31, 2011 of $0.9 million (2010 – $0.5 million) due to the Public Employees Benefits Agency Revolving Fund.

Other related party transactions are disclosed separately in these financial statements.

Account balances resulting from the above transactions are included in the statement of financial position and are settled at agreed upon exchange rates.

14. Capital Management

The Plan receives new capital from employee and employer contributions. The plan also benefits from income and market value increases on its invested capital. The Plan's capital is invested in a number of asset classes including equities, fixed income, real estate, infrastructure, and short-term investments. The Commission has delegated the operational investment decisions to a number of different investment management firms through a number of different investment mandates as defined in the Plan's Statement of Investment Policy and Procedures.

15. Investment Performance

The investment managers make day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives set by the Commission. The Commission reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over 4 year rolling periods. The primary long-term investment performance objective for the entire portfolio is to outperform a benchmark portfolio.

The following is a summary of the Plan's investment performance:

	2011	Rolling Four Year Average Annual Return
Plan's actual rate of return before deducting investment and administration expenses	0.6%	1.5%
Benchmark	0.4%	0.1%

The Plan's benchmark for its investment portfolio has been determined using the actual returns of market indexes such as the S&P/TSX Capped Composite Index, Standard & Poor's 500 Hedged U.S. Stock Index, Russell 2000 Hedged index, Morgan Stanley, Europe, Australasia and Far East Index, DEX Universe Bond Index, 91 Day Canadian Treasury Bill, and Investment Property Databank Ltd. Return Index.

16. Fair Value

For financial instruments including due from general revenue fund, short-term investments, accounts receivable, and accounts payable, cost approximates fair value due to their immediate or short-term maturity.

The fair values of investments are considered to be market value, the calculation of which is detailed in Note 3.

17. Contingencies

A union representing participating employees has applied by Notice of Motion, which also names several participating employers, for an order quashing purported decisions of the Commission relating to the application of actuarial surplus in the fund, as well as other relief. It is not possible to estimate the potential effect of the claim at this stage in the proceedings.

Appendix 'A'

S&P/TSX Composite

The S&P/TSX Composite Index is Canada's bellwether electronically operated stock exchange. It is the headline index and the principal broad market measure for the Canadian equity markets. This is the basis for numerous sub-indices, which break down the Canadian market by different factors including size, Global Industry Classification Standard (GICS®) and income trust inclusion versus non-inclusion. The index is calculated and managed by Standard & Poor's and is the main benchmark for Canadian pension and mutual equity funds.

S&P/TSX Capped Composite

S&P/TSX Capped Composite index includes all constituents of the S&P/TSX Composite index with relative weighting of each constituent capped at 10% equity weighting.

S&P 500

Standard & Poor's 500 Composite Stock Index consists of the largest 500 companies in the United States chosen for market size, liquidity and industry group representation. It is a market-value weighted index, with each stock's weight in the index proportionate to its market value. For the purposes of this report, the S&P Index returns are converted from U.S. dollars into Canadian dollars and, therefore, reflect currency gains or losses.

MSCI EAFE

Morgan Stanley Capital International Europe, Australasia, Israel, and Far East Index (MSCI Index) is a widely recognized benchmark of international equity performance. It is a free-float weighted equity index comprising of over 20 developed market country underlying indices representing developed markets outside of Canada and the US.

DEX UBI

DEX (formerly Scotia Capital) Universe Bond Index covers all marketable Canadian bonds with term to maturity of more than one year. The Universe contains over 1,000 marketable Canadian bonds with an average term of 10 years and an average duration of 6.5 years. The purpose of the index is to reflect the performance of the broad "Canadian Bond Market" in a similar manner to the S&P/TSX Composite Index.

DEX All Corporate Bond

DEX All Corporate Bond Index covers all marketable Canadian corporate bonds with a term to maturity of more than one year. The index is based on the Corporate sector of the DEX UBI. The purpose of the index is to reflect the performance of the corporate Canadian bond market.

DEX Long Term Overall Bond

DEX Long Term Overall Bond Index covers all marketable Canadian bonds with a term to maturity of at least 10 years. The index is based on the long-term bonds held within the DEX UBI. The purpose of the index is to reflect the performance of the long-term Canadian bond market.

DEX All Government Bond

DEX All Government Bond Index covers all marketable Canadian government bonds with a term to maturity of more than one year. The index is based on the government bonds held within the DEX UBI. The purpose of the index is to reflect the performance of the Canadian government bond market.

DEX 20+ Strip Bond

DEX 20+ Strip Bond Index covers marketable Canadian strip bonds with a term to maturity of greater than 20 years. The index contains only Canadian federal and provincial government debt issues. The purpose of the index is to reflect the performance of the very long-term Canadian government bond market.

IPD Total Property

The REALpac / IPD Canada Annual Property Index is published by the Investment Property Databank Ltd. On December 31, 2010, REALpac assumed the functions of the Institute of Canadian Real Estate Investment Managers ("ICREIM"), an organization originally formed to manage the Frank Russell Index for Canada and subsequently, the ICREIM / IPD Canada Property Index. The index measures total returns to directly held standing property investments from one open market valuation to the next. IPD compiles property level information from pension funds, life insurance companies and real estate managers on a quarterly basis.

91-Day T-Bills

Canada Treasury Bills represent the highest quality short-term instruments available. The index is constructed by selling and repurchasing Government of Canada T-Bills with an average term to maturity of 91 days. The Scotia Capital 91-Day Treasury Bill Index is calculated and marked to market daily.

CPI

Consumer Price Index is used to gauge Canada's inflation rate. The series used is the all items, not seasonally adjusted, 1992 base.

Russell 2500

The Russell 2500 Index offers investors access to the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500 is constructed to provide a comprehensive and unbiased barometer for the small to mid-cap segment and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid-cap opportunity set.